MicroSave Briefing Note #155

Behavioural Economics and User Centred Design – Opening up New Vistas in Research Processes

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Human behaviour is intriguing, not least of all because of the infinite permutations of contextual factors that influence how human beings think and feel. The process that leads to an individual's choice or an action is even more complicated. Moreover, the choice and/or the corresponding action, are not necessarily influenced by same set of factors. Nonetheless, unpacking these factors often help understand the peculiarities in human behaviour such as why a change in design of a beverage bottle reduces take up or why one tends to pick commodities at higher prices. Similarly, there are examples from the financial services as well, such as how tweaking an account opening form triggers usage or how modifications in financial capability approach spurs average deposits in banks and microfinance institutions.

Organisations across the financial sector are increasingly realising the importance of being customer-centric in their products, processes and systems. Being customer centric, however, is not an easy affair. It entails regular interaction with clients to empathise with them and understand their joys and pains. Behavioural economic theories add new insights to help understand such human intricacies and translate them into business actions.

Drawing on many different academic disciplines from cognitive psychology and social theory – through to the newer disciplines of (social) neuroscience, evolutionary anthropology and genetics – behavioural economics explains the rationale of choices and decisions people actually make in the imperfect world. Contemporary qualitative (and often quantitative) market research approaches are also derived from a similar mosaic of multidisciplinary approaches, including semiotics, linguistics and ethnography. This similarity makes qualitative research tools a natural choice for research into behavioural economics and user centric designs. However, more than the motivation, attitude, belief and opinions – focusses of qualitative research – behavioural economics/user centred design research requires exploration of choices and actions of users to generate behavioural insights and create user centric solutions.

This Note provides a high level view of qualitative research approaches for behavioural economics/user centred design. It explores cornerstones and process of behavioural research, as used by *MicroSave*.

Why Innovative Research Approaches for Behavioural Economics/User Centred Design?

Behavioural research demands an excellence in understanding the relationships between choices and actions with psychologies at play. This is perhaps the biggest skill a behavioural researcher requires. This fact comes with a caveat that in no point in time the researcher should judge responses from the respondents. In addition to this, probing, observing, and listening skills are very important. People make choices and/or act in a way which may look irrational, but researchers must probe to understand the context of decision and/or action and relate these with the science of human psychology.

Both qualitative research and behavioural economics/ user centred design demand a thorough understanding of social, contextual, and personal factors. While the basic assumption of conventional qualitative (and quantitative) research remains that verbal responses are a direct indicator of people's behaviour or intention, the BE research approach assumes that user decisions are mix of both intuitive and well thought through decision making processes, profoundly influenced by human tendencies.

To capture the real life choices and actions, *MicroSave* adopts a more dynamic approach towards behavioural economics/user centred design research. *MicroSave's* Market Insights for Innovation and Design (MI4ID) tools comprise of a judicious mix of different research tools:

1. *Verbal/ self-reported tools*: These research tools explore respspondents' decisions through a cascading series of "who", "where", "when" and "why" questions. The success of these tools depend on the experience of the researcher on account of articulate tracking of the respondents' decision pathway.

2. *Participatory tools*: These tools engage the respondents to actively make decisions in a simulated world. The tools create a near representative context to observe the social and personal dynamics in the decision making process. These tools help visualise a long-term decision making process in a condensed time-frame.

3. *Observational tools*: These near ethnographic tools are based on observation of the real life decision making of the respondents without external intevention. These

tools take away the artificial research situation and make deductions from actual incidences/behaviour observed.

4. *Expert Interviews*: These tools involve the "opinion" of the stakeholders in the user's contextual environment. Since success of an intervention depends upon dynamics of the stakeholders, these tools help design interventions that align with the entire decision/service value chain.

Behavioural Economics/User Centred Design Research Process

A behavioural research process has three key steps: defining the problem, understanding the observed behaviour, and analysing information gathered through research to create solutions that trigger the desired behaviour.

1. *Defining the problem*: A behavioural research focuses on the client's journey from observed/current behaviour to the desired behaviour. The research problem/ issue succinctly articulates the problem(s) faced by users as they would move from observed to desired behaviour.

2. *Understanding the observed behaviour:* The most important part of a behavioural research is enquiry into the context in which the users choose or act. Choice of respondents for behavioural research is thus purposive. It includes diverse user groups, including the users who showcase radical behaviours compared to an average user, a new user, drop outs, and even outliers. To understand the observed behaviour, the research design focuses on use of adequate tools, sharp behavioural probes and an appropriate intervention strategy.

Another important feature of behavioural research is focus on the full gamut of activities (i.e. decisions and actions) in which the customer is involved. Researchers

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> ### Choices and Actions
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> Choice and action together describe human behaviour.
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> ▪ *Choice* is essentially about decision making. The way a choice is presented or is perceived by users' influences their decisions. Furthermore, different people associate different consequences or values with the choices.
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> ▪ *Action* is influenced by barriers – these could be social, temporal, or financial - which ultimately delay or hold –up an action. Actions also depend on the attention span or temptations of individuals.

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usually map all the activities around the observed behaviour as milestones. It is during this mapping, that researchers are able to identify hurdles or road blocks to the desired behaviour.

Additionally, focusing on specific instances and visualising helps in understanding:

- *Choice*: How the users make choice from amongst multiple options? Do these options conflict each other? Do one or some options standout of the lot? Do one or some options have association tags?
- *Action*: Is the action a standalone activity? Is it followed or preceeded by multiple activities? Does the action conflict with identity of the user? What are the barriers?

3. *Analysing information gathered through research*: The information gathered is used to map bottlenecks or challenges that the customer faces with respect to desired behaviour. Reseachers' understanding of human tendencies and psychologies are primarily used for this analysis. In the MI4ID approach, we also look at the choices and actions from the context of *MicroSave*'s experienced inference on [clients' mental models](#) around financial choices and preferences.

The results from this analysis culminate into insights on customer journey and experience with respect to products and services they are using. These insights lead to solution(s) through use of tools such as concept generation and rapid prototyping of solutions. For example as researchers investigate customers' willingness to save, they identify that customers either [undervalue future savings](#), or [procrastinate the action of making deposits or simply are tempted to make expenses (lack of self control).](#)

Conclusion

MicroSave has used the MI4ID approach to conduct research on [product design of insurance](#) products, [finding solutions for MFIs in India to tap savings](#), create financial education programme design for microfinance institutions, and [assess agent behaviour in East African mobile money markets](#).

With respect to financial services, and specifically [Digital Financial Services](#) and [Financial Inclusion,](#) our target customers are not used to (making a decision or taking an action to) access formal service channels, and seldom use technology. Insights generated through the behavioural research approach can radically alter the way [DFS products and services](#) are designed, delivered and marketed ... and thus their uptake and use.

"*Paying attention to how humans think (the processes of mind) and how history and context shape thinking (the influence of society) can improve the design and implementation of development policies and interventions that target human choice and action (behaviour)*" – [World Development Report, 2015](#)